
Finance Committee

HB 1633

Brief Description: Providing excise tax exemptions for hog fuel used for production of electricity, steam, heat, or biofuel.

Sponsors: Representatives Conway, Kretz, Orcutt, Van De Wege, Kessler, Blake, Kristiansen and Herrera.

Brief Summary of Bill

- Provides a sales and use tax exemption for hog fuel used to produce electricity, steam, heat, or biofuel.

Hearing Date: 2/5/09

Staff: Jeff Mitchell (786-7139)

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. If retail sales taxes were not collected when the property or services were acquired by the user, then use taxes are applied to the value of most tangible personal property and some services when used in this state. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. State sales and use taxes are deposited in the State General Fund. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Hog fuel is an unprocessed mix of bark and wood fiber. Hog fuel can be used to generate heat, steam, electricity, and ethanol. For example, pulp mills and kiln-drying operations can use the fuel in boilers. Other industries or institutions that use steam or hot water for processing or heating can be fueled by burning wood processing waste. Cogeneration boilers can use hog fuel to simultaneously generate electricity and heat.

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Summary of Bill:

Hog fuel used to produce electricity, steam, heat, or biofuel is exempted from sales and use taxes. Hog fuel is defined as wood waste and other wood residuals, however, the term does not include firewood or wood pellets. Biofuel means biodiesel, ethanol, and ethanol blend fuels and renewable liquid natural gas or liquid compressed natural gas made from biogas.

Appropriation: None.

Fiscal Note: Requested on 2/2/09.

Effective Date: The bill takes effect October 1, 2009.